

# 2018 State of the City Address

Given by Union City Mayor Carol Dutra-Vernaci

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## INTRODUCTION

Good afternoon! I'm honored to be here today to present you with the State of the City.

Tony Thank you for that welcome and introduction. As Mayor I am excited to talk to you about key challenges, milestones and future plans for Union City.

The City Council and I have been working closely with City staff over the last year to proactively address our long term financial issues, which are hindering our ability to maintain city services right now and possibly in the future.

At this moment and without the passage of Measures DD and EE, which I will talk more about later, continued cuts to city services will occur over the next few years and beyond.

A little over \$3 million in planned budget cuts has already occurred over the last two fiscal years and the State continues to take \$5 million away from Union City every year.

Without the intervention of new revenue from Measures DD and EE, We will have no choice but to make more cuts to the tune of \$4.3 million per year for at least the foreseeable future.

The City Council and I have taken a united front on making the City's long term fiscal sustainability our top priority.

We care very much about building a healthy city for the future. We want to maintain the essential services that support our quality of life. We also want to take care of our employees who have been working under difficult conditions, with less resources and more work on their plate. We offer all of our city employees a heartfelt thank you for sticking with the city.

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## THEME #1 - A UNITED FRONT ON ADDRESSING THE FISCAL CHALLENGES OF TODAY FOR A FISCALLY SUSTAINABLE FUTURE

I mentioned earlier about the City Council taking a united front on working to achieve long term fiscal sustainability and that started with smarter fiscal policies and practices in place.

An ad hoc Fiscal Stability Committee was established in February to understand in greater detail the City's finances. Two Councilmembers sit on this committee with City staff. This committee explores and recommends to City Council prudent fiscal policies and measures that can help put us on a path to long term fiscal sustainability.

This year, we put into place a ten year forecast model that will be an essential tool we use when making all future financial decisions. This model will allow us to understand how financial decisions

of today can impact us in the long term. Other cities are beginning to implement ten-year models in light of financial troubles, but Union City is truly a pioneer in this area.

What you see on this slide (*slide containing ten year forecast model*) is our General Fund Reserve, our savings account. City finance best practices recommends a 20% reserve. If we don't do anything – this is what the next 10 years would look like – in year 2028 our City reserves would be at -54.2%.

As a result of the Fiscal Stability Committee's work, the City Council adopted a policy where 50% of excess revenue moving forward is applied to retiree medical and pension liabilities and a revenue smoothing fund. The City Council will be able to consider how the rest of the 50% is spent.

A minute ago, I mentioned that we strive for a 20% reserve. This is to cover the unknown and unanticipated events, such as catastrophic emergencies, which we know will be an earthquake someday in addition to all of the other disasters that are happening all over our country.

Thanks to the work of the Fiscal Stability Committee, the City Council has also adopted four guiding fiscal principles recommended by the Committee:

1. The long term fiscal health of the City must embody decision making at all levels.
2. Competitive compensation packages are the foundation of a strong workforce.
3. Benefit packages should be equitable, regardless of classification or position.
4. Regular 3<sup>rd</sup> party management audits of city operations, which is currently underway right now.

I appreciate and look forward to the continuing efforts and recommendations the Fiscal Stability Committee brings to the City Council. But, as of right now, the most important financial path we are on is the pursuit of Measures DD and EE.

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## **THEME #2 - MEASURES DD AND EE WOULD MAINTAIN QUALITY OF LIFE, PUBLIC SAFETY AND LONG TERM FISCAL HEALTH**

The City's current quality of life, public safety and long term fiscal health would be further supported by Measures DD and EE on the November ballot.

Measure DD is Union City's local cannabis business tax. If enacted, Measure DD, would help maintain essential city services such as: 911 dispatch, Neighborhood police patrols, Emergency response times, After-school programs for children and teens and help keep fire stations open full time

Measure DD Cannabis Business Tax would be paid by only cannabis businesses. The two companies that are currently in the approval process with Union City support this tax. WE believe this will generate about 1.4 million dollars annually.

Measure DD ensures cannabis business contribute towards protecting the quality of life, health, and safety in Union City.

Measure EE, if approved by voters, would allow Union City to enact a local charter giving residents a greater voice and enhancing local control over local revenue.

If Measure EE is enacted, Union City would become a Charter City with an enhanced one-time Real Property Transfer Tax paid for when property is transferred from seller to buyer, with much of the revenue coming from corporate and commercial real estate owners. We believe this will generate about 5 million dollars annually.

Other Charter Cities in Alameda County include: Alameda, Albany, Berkeley, Emeryville, Hayward, Oakland, Piedmont, and San Leandro. The average Real Property Transfer Tax paid by these cities is \$11.60 per \$1000 of valuation and we are asking Union City voters to support \$10.00 per \$1,000 valuation paid at the time of sale.

As a General Law city, Union City currently has a Real Property Transfer Tax of \$0.55 per \$1000. In comparison with what other neighboring communities receive, we are not able to provide the same quality of services at this current rate.

If Measure DD and EE pass we will be able to maintain services and control how the money is spent. Because we don't receive the same amount of money from other government agencies as in the past, cities are relying more and more on their residents and businesses for help. We call these self-help cities. We are asking voters to help with their fair share.

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### **THEME #3 – POSITIVE COMMUNITY DEVELOPMENTS THROUGH CREATIVE FUNDING MECHANISMS**

Union City has partnered with Mid-Peninsula housing to build up to 81 units on Mission Blvd. between D and E Street. All units will be for very low and extremely low income people. We will have community amenities and social services on site. Mid-Pen will be using funding from Alameda County Measure A1 passed a few years ago in addition to funding from other sources. Union City owned the land thru redevelopment and we are contributing the land to make this project a reality.

In early September, we were proud to give the community a brand new turf at Shorty Garcia Park. The park initially opened in 2004 and after 14 years and many sporting events, practices and recreation play, it was time to resurface the deteriorating field with a new one. These types of fields typically last 8-10 years only; but thanks to upkeep and maintenance by our Public Works team, they were able to extend its useful life by 4 to 6 years. The project came at a price of \$1.7 million and was funded 100% through the proceeds of the sale of part of the old PG&E pipe yard. Union City was required to reinvest these funds into our redevelopment area and could not be used for other general fund expenses.. We know how important the playing fields are to the community and that they provide a safe place for children, teens, and adults to play and keep active.

Public Safety remains a top priority of this community and I am happy to report that UCPD has been doing a great job in planning for the future of providing public safety services to this community. The UCPD Strategic Plan was adopted by the City Council in 2016. It is a five-year plan, ending in 2021, that identifies 46 strategies as a roadmap building strong relationships with the community and achieving high professional standards in policing. UCPD has now completed 24 of those strategies, which include stronger communication to the public with the use of social media, homeless outreach, and the development of a master training program. You may ask, why is this important for our community? While we sometimes focus on 911 responses and neighborhood patrols as a key indicator of success, this thoughtful and analytical work that goes into strategic planning helps us to identify gaps in our services and otherwise better prepare UCPD to take on the complex work of providing public safety services to the community.

Union City has continued to maintain the second best roadways in Alameda County, we are behind Dublin (which contains mostly brand new streets!). Union City has the 8<sup>th</sup> best roadways in the Bay area. Our pavement condition index is 81, which above our neighbors Fremont at 72, Hayward at 70 and Newark at 76. This might be too much information but then again I am a numbers person.

Also, please take note that on the ballot in November, Statewide Prop. 6 would repeal SB1 and eliminate more than \$5 billion annually in existing transportation funds and STOP funding for more than 6,500 bridge and road safety, transportation and public transit improvement projects currently underway throughout California. Previous to SB1, State gas tax was providing Union City approximately \$1.2 to 1.5 million per year. With the approval of SB1, we now receive approximately \$3 million a year, nearly doubling our revenue and capacity to maintain Union City infrastructure.

Without these funds, vital repaving and road rehabilitations projects in Union City may not occur or may be delayed for several years due to lack of funding. This includes the rehabilitation of key roads such as Decoto Road, Union City Boulevard, Alvarado Niles Road, Smith Street, and Dyer St. Union City needs these funds and I strongly urge you to vote no on Prop 6.

These accomplishments are impressive given the City's fiscal condition and I am proud City staff continues to find grants or other funds outside of the General Fund to use in order to bring positive community developments to residents.

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#### **THEME #4 – PLANS FOR A HEALTHY AND FISCALLY SUSTAINABLE FUTURE**

In the coming months and in an effort to continue our work to achieve long term fiscal sustainability, I'm looking to lead an effort with the City Council to establish City Council goals. It is my hope that through a facilitated process, the City Council can convene in January to establish multi-year goals and aspirations; establish priorities for the coming year and to strengthen Council/staff teamwork. We will look to solicit community input before we embark on this process. Doing this leg work at the Council-level will require measuring performance on an annual basis, but will ensure that we are living within our means and able to maintain city services.

We plan to continue our efforts in fiscal sustainability through the continuation of a few key projects.

After a rigorous application process led by City staff and an outside consultant, the City Council declared intent to award five permits to two qualified commercial cannabis companies. One is a vertically integrated company that will host cultivation, manufacturing, distribution and retail at one location; the other company is strictly a retail location. Both companies are in the approval process with the City right now. The City Council approved a total of three licenses in each category of commercial use, therefore we intend to consider the possible permitting of a few more commercial cannabis businesses in the very near future.

City staff has put together a comprehensive regulatory framework to monitor these companies and ensure their success. Measure DD will allow us to take in new tax revenue from these companies anticipated at \$1.4 million. In addition to the potential new tax revenue, both companies have plans to contribute additional funds towards key community programs, such as drug awareness programs for parents, marijuana recognition training for police officers, and toward social service needs for the community.

Prioritizing the build-out of key opportunity sites in the Greater BART Station area is critical to our long term fiscal sustainability. The addition of new jobs, transportation and housing brings the potential for more property and sales tax revenue. Completion of the East West Connector will facilitate the development of the Caltrans property, and the build-out of the Greater Station District, to which is anticipated to bring in \$3.5 million in property tax revenue annually to the City. This is a key point because you have heard me mention the importance of building this critical roadway to provide expanded access to residents and emergency workers into and out of the Station District. It is equally, if not more important, to see this roadway built so that we can see the remainder under-utilized land around the BART Station converted to income producing housing and job centers. This new roadway would also take traffic off of Decoto Rd. Anyone who has ever been on it at peak traffic time knows to avoid the area.

The East West Connector is currently in the design phase. Union City is working with regional entities and bike advocates on a pedestrian and bike friendly design.

In closing, I thank you, our community stakeholders, for your continued support and ask that you continue that support at the ballot box this November by voting yes on Measure DD and EE and No on Prop 6.